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IN THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1982

MEDTRONIC, INC.,

v.

CHARLES F. BENDA, EMIL CONDE and
WILLIAM C. CAIN, Petitioners

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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QUESTIONS PRESENTED FOR REVIEW

1. Whether the decision of the Court of Appeals for the Seventh Circuit is in direct conflict with the decision of the United States Supreme Court in Beacon Theatre, Inc. v. Westover, 369 U.S. 500, 795 S.Ct. 948.

2. Whether the decision departs from the accepted and usual course of judicial proceeding which was mandated by the United Supreme Court in Beacon Theatre, Inc. v. Westover, 369 U.S. 500, 795 S.Ct. 948.

3. Whether a jury trial of common substantial issues is lost when equitable rights are also in the case.

4. Whether a Federal Appeals Court may adopt the decision of a trial court verbatim adding only incidental language.

5. Whether a Federal Appeals Court without review can eliminate issues raised by appellants including a constitutional issue raised throughout all of the proceedings.

6. Whether the decision of the Court of Appeals for the Seventh Circuit is inconsistent with its own decision, Machlett Laboratories, Inc. v. Techny Institute, Inc., 665 F.2d 795 (1981).

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PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

Richard E. Zulkey, on behalf of Charles F. Benda, petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Seventh Circuit in this case.

OPINIONS BELOW

The unpublished opinion of the Court of Appeals (App. A, infra, 1a-8a) is noted at 688 F.2d 841 (7th Circuit 1982). The published opinion of the Court of Appeals (App. A, infra, 1a-31a) incorporates its unpublished opinion and the opinion of the

District Court and is not reported. The opinion of the District Court (App. A, infra, 9a-26a) is not reported.

JURISDICTION

The judgment of the Court of Appeals (App. A, infra, 1a-31a) was entered on July 13, 1982. A timely petition for rehearing was denied on September 2, 1982 (App. B, infra, 32a). The jurisdiction of this Court is invoked under 28 U.S.C. §1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The issues argued in this petition involve the following Rules of Civil Procedure for the United States District Court: Rules 13(a), (b) and (c), 38 (a), 39(a), 42(b), 57 and 65(d); U.S. Constitution, Amendment I and U.S. Constitution, Amendment VII; and 28 U.S.C. 1292(a).

RULE 13 - Counterclaim and Cross Claim

(a) Compulsory Counterclaims. A pleading shall state as a counterclaim any claim which at the time of serving the pleading the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction.

But the pleading need not state the claim if: (1) at the time the action was commenced the claim was the subject of another pending action, or (2) the opposing party brought suit upon his claim by attachment or other process by which the court did not acquire jurisdiction to the pleading is not stating any counterclaim under this Rule 13.

(b) Permissive Counterclaims. A pleading may state as a counterclaim any claim against an opposing party not arising out of the transaction or occurrence that is the subject matter of the opposing party's claim.

(c) Counterclaim Exceeding Opposing Claim. A counterclaim may or may not diminish or defeat the recovery sought by the opposing party. It may claim relief exceeding in amount or different in kind from that sought in the pleading of the opposing party.

RULE 38(a)

The right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the U.S. shall be preserved to the parties inviolate.

RULE 39(a)

When trial by jury has been demanded as provided in Rule 38, the action

shall be designated upon the docket as a jury action. The trial of all issues so demanded shall be by jury, unless

(1) the parties or their attorneys of record, by written stipulation failed with the court or by an oral stipulation made in open court and entered in the record, consent to trial by the court sitting without a jury, or

(2) the court upon motion or of its own initiative finds that a right of trial by jury of some or all of those issues does not exist under the Constitution or statutes of the U.S.

RULE 42(b)

Separate Trials. The court, in furtherance of convenience or to avoid prejudice, or when separate trials will be condusive to expedition and economy, may order a

separate trial of any claim, cross-claim, or third-party claim, or if any separate issue or if any number of claims, or issues always preserving inviolate the right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the U.S.

RULE 57 - Declaratory Judgments.

The procedure for obtaining a declaratory judgment pursuant to Title 28, U.S.C. §2201 shall be in accordance with these rules, and the right to trial by jury may be demanded under the circumstances and in the matter provided in Rules 38 and 39. The existence of another adequate remedy does not preclude a judgment for declaratory relief in cases where it is appropriate. The court may order a speedy hearing of

an action for a declaratory judgment and may advance it on the calendar.

RULE 65(d)

Form and Scope of Injunction or Restraining Order. Every order granting an injunction and every restraining order shall set forth the reasons for its issuance; shall be specific in terms; shall describe in reasonable detail, and not by reference to the complaint or other document, the act or acts sought to be restrained; and is binding only upon the parties to the action, their officers, agents, servants, employees, and attorneys, and upon those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise.

U.S. CONSTITUTION, AMENDMENT I

Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedon of speech, or of the press; or the right of the people peacably to assemble, and to petition the Government for redress of grievances.

U.S. CONSTITUTION, AMENDMENT VII

In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.

28 U.S.C. 1292(a)

The courts of appeals shall have jurisdiction of appeals from: (1)

Interlocutory orders of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, or of the judges thereof, granting, continuing, modifying, refusing or dissolving injunctions, or refusing to dissolve or modify injunctions, except where a direct review may be had in the Supreme Court; (2) Interlocutory orders appointing receivers, or refusing orders to wind up receiverships or to take steps to accomplish the purposes thereof, such as directing sales or other disposals of property; (3) Interlocutory decrees of such district courts or the judges thereof determining the rights and liabilities of the parties to admiralty cases in which appeals from final decrees are allowed; (4)

Judgments in civil actions for patent infringement which are final except for accounting.

STATEMENT

Medtronic, Inc. (hereinafter referred to as "Medtronic") is the world's largest manufacturer of ventricular and atrial pacing equipment commonly known as pacemakers. These devices are implanted by surgeons inside the body near the chest bone and are supposed to control the heart rate in patients.

The procedure for implanting a pacemaker consists of opening the patient by surgical operation, placing the pacemaker near a suitable anchor, attaching the leads from the device to the heart, testing the device and closing the patient.

The implant procedure is performed in a hospital operating room followed by a short stay in the recovery room and a week or so as an in-patient.

The average age of a pacemaker implant patient is 68 years old. Medicare pays for

most of these procedures.

Medtronic has marketed its pacemakers through direct contact with physicians, surgeons and cardiologists throughout the world. Medtronic educates the physicians, surgeons and cardiologists through seminars, conventions, symposiums, publication of its own quarterly medical journal and extensive advertising in medical journals. Medtronic also flies medical personnel to its plant in Minnesota for a first hand look at its products and lavishly entertains the physicians, surgeons and cardiologists.

Along with the above marketing techniques Medtronic employs salesmen to deliver the pacemakers, to attend implant operations and to wine and dine the medical professinals.

Charles F. Benda (hereinafter referred to as "Benda") came to Medtronic in April of 1977. Benda had extensive medical training before becoming employed at

Medtronic. This experience included a tour of duty as a medic instructor with the U.S. Army Medical Corps; a research position at the University of Chicago in arteriosclerosis research; sales work for Parke-Davis Company selling pharmaceuticals, medical-surgical instruments and medical electronic devices for four years; three years with Polaroid; and one year as a sales director of Camag, Inc., a Swiss company specializing in biochemical analytical equipment.

After a short three week initial training period, Benda was on his own selling Medtronic pacemakers, attending operations, and entertaining doctors.

Benda performed exceptionally for Medtronic producing high volume sales accounting for over 2,000 units being sold during his employment. Benda, while employed by Medtronic, was on 24 hour call, 7 days a week.

Benda was one of Medtronic's best sales representatives in the country up to the time of his resignation on August 31, 1981. Just prior to the time of his resignation, Medtronic developed a new compensation plan which rewarded those who increased market share. In Benda's opinion the only way this could be done was by increasing the patient population in his territory. When Medtronic confirmed this by urging Benda to create those false unnecessary markets, he refused and ultimately terminated his position and formed an independent sales agency pursuant to written contract with Intermedics, Inc., a major competitor of Medtronic.

The lawsuit followed.

This action was commenced in the United States District Court for the Northern District of Illinois by Medtronic, a Minnesota corporation.

Medtronic filed a Complaint for Declaratory Relief on September 2, 1981, seeking a declaration of the enforceability of a restrictive covenant contained in an Employment Agreement entered into between Medtronic and Benda on April 11, 1977. The restrictive covenant contained the following language:

> "For 360 days after termination of my employment with the Company, I will not attempt to divert any Company business by soliciting, contacting, or communicating with any customers for the Company's products with whom I, or employees under my supervision, had contact during the year preceding termination of my employment."

Medtronic's Declaratory Complaint prayed for a declaratory judgment declaring the validity of the employment agreement and construing the non-compete clause as prohibiting the defendant from acting in breach of his employee agreement by soliciting, contacting, or communicating with any customers of the plaintiff located in his former Medtronic sales

territory, and all physicians and surgeons associated with certain hospitals with whom defendant had had contact during the year preceding termination.

Benda answered the Complaint by agreeing that an actual controversy existed and sought a declaratory judgment declaring the employment agreement invalid and asserted the affirmative defenses of lack of consideration and that the non-compete clause is an unreasonable restraint of trade.

Benda, at the same time he filed his Answer, filed a three count Counterclaim raising the following issues: (1) Medtronic wrongfully obtained a temporary restraining order to enforce the non-competition agreement; (2) Medtronic committed an unlawful restraint of trade by consistently enforcing the non-competition agreement and by creating false markets and otherwise restricting its salesmen; and (3) Medtronic breached

the contract by forcing Benda to create a pacemaker market where none was needed for which reason Benda terminated his employment. Benda had filed his Counterclaim, Counts I, II and III, pursuant to Federal Rules of Civil Procedure Rules 13(a), (b) and (c). Count I was compulsory, Count II permissive, and Count III partially compulsory and partially exceeding the issues of the Complaint.

Benda filed a timely jury demand for trial of the issues of the Complaint, Answer, Affirmative Defenses and Counterclaim pursuant to Rule 38 of the Federal Rules of Civil Procedure.

On October 29, 1981, Medtronic filed an Amended Complaint seeking the additional relief of injunction.

Trial began November 9, 1981, upon Medtronic's Complaint for Declaratory and Injunctive Relief. After the trial began

the Court upon its own Motion pursuant to Federal Rule 38(b) delivered a memorandum opinion severing Benda's Counterclaim and striking the jury demand with respect to the issues of the Complaint, Answer and Affirmative Defenses.

Benda filed a Motion to Reconsider the denial of his right to have a jury decide the case immediately upon the trial court's determination to deny the jury trial, which motion was denied.

After the trial, but before a decision was reached, Benda filed a Motion to Stay the proceedings pending disposition of his Counterclaim by a jury, which motion was denied.

On February 4, 1982, the trial court issued a memorandum opinion and interlocutory order granting Medtronic injunctive and declaratory relief and costs. The trial court entered those findings without prejudice to any additional rights Medtronic might have to

petition the Court for appropriate relief for violations of the non-competition agreement during the pendency of any restrainingorder.

The decision was appealed to the United States Court of Appeals which appeal was decided by unreported order on July 13, 1982, but subsequently the Court decided to issue the decision as an opinion adopting verbatim the trial court's memorandum opinions dated November 9, 1981 as to the denial of the jury, and February 4, 1982 as to the issues tried with inclusion of the previously unreported order.

ARGUMENT

I

The decision of the Court of Appeals for the Seventh Circuit in Medtronic is in direct conflict with the decision of the United States Supreme Court in Beacon Theatre, Inc. v. Westover, 369 U.S. 500,

795 S.Ct. 948, Heflin v. U.S., 1959, 79 S.Ct. 451, 358 U.S. 415, 3 L.Ed.2d 407, Pennsylvania R. Co. v. O'Rourke, N.Y. 1953, 73 S.Ct. 302, 344 U.S. 334, 97 L.Ed. 367.

The decision also departs from the accepted and usual course of judicial proceeding which was mandated by the United States Supreme Court in Beacon Theatre, Inc. v. Westover, 369 U.S. 500, 795 S.Ct. 948.

The U.S. Constitution, Amendment VII provides in suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury shall be otherwise re-examined in any Court of the United States than according to the rules of the common law.

The right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of

the United States shall be preserved to the parties inviolate. Rule 38(a) and FRCP. Also, Rule 57 and 42(b) FRCP specifically preserve the right in declaratory actions and where the Court orders separate trials.

The fact that a claim in this case is equitable does not deprive the claimant of a right to a jury trial on factual issues. If there are factual issues common to both legal and equitable claims joined in the same suit, any party has a right to a jury determination of these issues before the Court rules on the equitable claim. Dairy Queen, Inc. v. Wood (1962) 369 U.S. 469, 8 L.Ed. 44, 82 S.Ct. 894; Dawson v. Contractors Transport Corp. (1972) 151 App. DC 401, 467 F.2d 727; Beacon Theatre, Inc. v. Westover, supra.

In the case at hand, the Court severed Defendant's legal counterclaims to be tried at a later time. However, the factual issues to be determined in the

legal counterclaims and defenses are factual issues common to both those legal counterclaims and Plaintiff's declaratory claim. Thus, the Court severed without preserving inviolate the right to a jury trial as required by Rule 42(b). Furthermore, the declaration of a contract overlaps the boundaries of legal and equitable claims as recognized by Rule 57 itself.

The Court of Appeals' decision, on page 3, points out the fact that there was conflicting evidence with respect to crucial overlapping factual issues. The findings of fact adopted verbatim by the Court's opinion encompasses five pages of extensive findings, many of which overlap matters raised by Counterclaim.

II

The result of the ruling in the Medtronic case is that the basic right to a jury trial of common substantial issues

is lost when equitable rights are also in the case. The ruling allows the trial court pursuant to Fed. R. Civ. P. 38(b) on its own motion to strike jury demands of common substantial issues when equitable rights are also in the case.

In this action Benda answered Medtronic's Complaint for Declaratory Action by agreeing that there was an actual controversy between the parties with respect to the meaning of the restrictive covenant.

Benda asserted two affirmative defenses and a three count legal counterclaim. At the time the Answer, Affirmative Defense, Jury Demand and Counterclaim were filed, there was nothing pending except a purely legal action between the parties. Only on the eve of trial did Medtronic insert a request for equitable relief in addition to declaratory relief. On the same eve the trial court took it upon itself to deny Benda his constitutional right to

have a jury of his peers decide the facts of this case.

Benda has alleged 14 sets of facts which he contends violate both the Illinois and Federal Antitrust Act. While some of these sets of fact issues overlap the issues of the action tried, Benda has alleged additional facts which are independent of the fact issues decided. In addition, he contends that Medtronic, in order to increase market share above 70% of his territory, required and trained him to begin creating new markets, i.e., increasing market share by increasing his patient population via relaxation of pacing indication. In other words, to encourage implantations where they were not clinically proven to be needed in an effort to stomp the competition.

The United States Supreme Court specifically addressed this situation in Beacon Theatre, Inc. v. Westover, supra.

In Beacon the Supreme Court, noting that the Declaratory Judgment Act specifically preserved the right to a jury trial for both parties, held that if the Defendant would have been entitled to a jury trial in a treble damage suit against the Plaintiff, it could not be deprived of that right merely because the Plaintiff took advantage of the availability of declaratory relief to sue the Defendant for injunction first, since the right to trial by jury applied to treble damage suits under the antitrust laws and was, in fact, an essential part of the congressional plan for making competition rather than monopoly the rule of trade. Holding that whatever injunctive relief the Plaintiff might be entitled to could be granted by the Court after a trial of the issues of fact by a jury, the Court announced that the Defendant was entitled to have the factual issues of the cause determined by a jury in advance of any

decision concerning the equitable issues raised by the Plaintiff.

III

The procedure used by the Court of Appeals in the Medtronic case which adopted verbatim the trial court's opinion as that of the Court of Appeals, adding only incidental language and failing to address issues raised by Appellants, is a serious departure from the accepted and usual course of judicial proceeding guaranteed by the right of appeal. The arbitrary elimination of issues by the Court of Appeals in this case authorizes a discretionary piecemeal review of issues by the Court of Appeals and is a serious departure from the accepted and usual course of judicial proceeding.

The Court of Appeals failed to address the jury issue other than to state briefly that the Court could find no merit in Appellants' impressions. The Court

utterly failed to address the overlapping findings issue.

The Court of Appeals failed to address the issue that the restrictive covenant was intended to prevent competition per se.

The Court of Appeals failed to address the equitable prerequisite issues of unclean hands and irreparable harm.

The Court of Appeals failed to address the constitutional issue of freedom of speech and assembly despite the fact that the trial court itself first raised this issue.

The Court of Appeals failed to address the applicability of Federal Rule 65 and the specificity requirements despite the fact that the findings of fact fail to state from whom the Appellants were enjoined from contacting.

The Court of Appeals accused Appellant of raising every conceivable argument "under the sun". Appellant raised eight

simple issues: (1) the jury demand; (2) competition per se; (3) equitable prerequisite; (4) First Amendment violations; (5) specificity under Rule 65; (6) long-term custsomer relationships; (7) public policy, and (8) interpretation of attempt to divert.

Of the seven issues the Court of Appeals addressed two issues: (1) long-term customer relationships; and (2) public interest; and held there was no jury issue to be decided.

Courts of appeal have a duty to determine the questions raised by appellants. Leahy v. U.S. (9th Cir. 1959) 272 F.2d 487, Empire Life Insurance Company of America v. Valdak Corporation (5th Cir., 1972) 468 F.2d 334.

Implicit in the right to appeal is the right to have the issues reviewed. Benda's First Amendment right of free speech and assembly is seriously curtailed

by the restrictive covenant. In fact, the trial court discusses the issue and raised it during the course of the trial. There is case law supporting Benda's position, Aberti v. Cruise, 383 F.2d 268 (1971), Consolidation Coal Co. v. Disable Minors, 442 F.2d 1261 (1971).

Benda's right to a jury trial contemporaneously with the trial of the equitable issues is mandated by this Court. Yet, the Court of Appeals does not even mention the Beacon, supra, case and cites Dairy Queen, Inc. v.Wood, supra. The Supreme Court held in the Dairy Queen case that the counterclaims and affirmative defenses be decided by a jury before the Court decides the equitable claims. It is the relief sought, not the factual issues, which determines the nature of a claim vis-a-vis legal or equitable. Hence, Defendant's affirmative defenses and counterclaims are purely legal. The factual issues of the

Complaint overlap those of the Counterclaim even though the Counterclaim goes beyond the restrictive covenant in alleging other restraints of trade practiced by Medtronic.

Trying the issues as dictated by the Supreme Court is done commonly and is an exercise in judicial efficiency. By trying the legal and equitable issues together before a jury the Court saves time by avoiding a second trial. The additional time needed for a jury trial would simply encompass picking a jury and some additional evidence on the fact issues which go beyond the declaratory claim.

IV

The decision of the Court of Appeals in the Medtronic case is consistent with the decision of the Court of Appeals for the Seventh Circuit in Machlett Laboratories, Inc. v. Techny Industries, Inc., 665 F.2d

795 (1981). Machlett involved the sale of a company that manufactured and sold stationary x-ray units and related components. The sellers covenanted not to engage in any business directly or indirectly competing with the business they were selling to purchasers. A short time later, the sellers established a new company that manufactured mobile x-ray equipment and the purchasers brought suit requesting a preliminary injunction precluding further competition. The district court granted the preliminary injunction.

Upon appeal the appellate court vacated the preliminary injunction and discussed the harmful effect of restricting a company that serves the public's health care interest. The court noted that the sellers had made many contributions to the x-ray industry and x-ray medicine and that precluding them from engaging in the

market would inhibit further contributions and disserve the public.

Benda's working relationship with physicians was conducive to the furtherance of better, safer and more efficient medical care. Restricting this relationship by preventing Benda from participating with and assisting physicians, where needed and most often requested, also acts to disserve the public's interest.

V

The determination of common substantial issues and the subsequent adoption by the Court of Appeals in the Medtronic case hinders substantially and may prevent the determination by a jury of the issues of whether or not the new employment agreements in combination with the requirement to create an unnecessary pacemaker market was an unreasonable restraint of the salesman's trade.

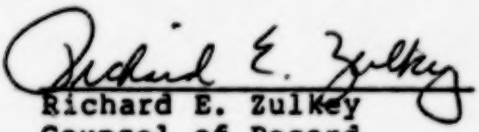
Ironically, Medtronic is currently seeking to amend its Complaint seeking damages arising out of the alleged breach of the restrictive covenant. Medtronic now seeks damages upon a contract which has been declared valid by findings of fact without a jury, some of which facts were hotly contested.

The very reason for the procedure this Court implemented in 1962 has now been thwarted. Medtronic achieved its declaratory and equitable remedy, is back for a legal remedy and Benda has yet to receive his jury trial.

CONCLUSION

Petitioner was wrongfully deprived of a jury trial as well as a proper review of the issues raised by appeal. Wherefore, Petitioner prays that this Honorable Court grant his petition for certiorari.

Respectfully submitted,



Richard E. Zulkey
Counsel of Record

November, 1982

In the

United States Court of Appeals

For the Seventh Circuit

Nos. 82-1021 and 82-1212

MEDTRONIC, INC.,

Plaintiff-Appellee,

v.

CHARLES F. BENDA, EMIL CONDE and WILLIAM C. CAIN,

Defendants-Appellants.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.
Nos. 81 C 5051, 81 C 5029 and 81 C 5030—Bernard Decker and George N. Leighton, Judges.

ARGUED JUNE 3, 1982—DECIDED JULY 13, 1982*

Before CUMMINGS, *Chief Judge*, BAUER, *Circuit Judge*, and GRANT, *Senior District Judge*.**

GRANT, *Senior District Judge*. This is a consolidated action brought by Medtronic, Inc. ("Medtronic") against the defendants, three former employees, seeking to enforce restrictive covenants contained in employment contracts signed by each. The district court entered a

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* This appeal was originally decided by unreported order on July 13, 1982. See Circuit Rule 35. The Court has subsequently decided to issue the decision as an opinion.

** Honorable Robert A. Grant, Senior District Judge for the Northern District of Indiana, sitting by designation.

detailed set of factual findings (Appendix A) which we fully adopt and incorporate herein.

This appeal centers upon the district court's holding that the restrictive covenants in question are valid and enforceable under Illinois law. Each appellant has filed separate briefs raising every conceivable argument "under the sun." The following three arguments constitute the crux of their case.

1. The district court's finding that Medtronic possessed a protectible interest based upon a long-term, near permanent clientele is clearly erroneous.
2. The restrictive covenant is defective in that it contains no geographical limits and the enforcing injunction is vague and overly broad in violation of Fed. R. Civ. P. 65.
3. The injunction entered by the district court is in conflict with the public interest.

We reject these arguments and affirm the decision of the district court for the reasons set forth therein. We add the following discussion in response to the specific arguments noted above.

I.

The district court explicitly stated that the existence of a protectible employer interest in this case was not based upon the appellants' acquisition and possession of confidential information, but upon "Medtronic's long term relationships with its customers." Mem. Op. at 12. The appellants contend this conclusion is clearly erroneous because Medtronic presented no evidence which supports such a conclusion. They further assert that the evidence establishes the opposite; that many hospitals and physicians became Medtronic's customers only after the appellants began employment with Medtronic. Thus, they argue, there were no long-term relationships with whom they would not have come in contact except for their employment with Medtronic.

The standard of review we are bound to apply was recently summarized by the Supreme Court.

> In reviewing the factual findings of the District Court, the Court of Appeals was bound by the "clearly erroneous" standard of Rule 52(a), Federal Rules of Civil Procedure. [cite omitted]. That rule recognizes and rests upon the unique opportunity afforded the trial court judge to evaluate the credibility of witnesses and to weigh the evidence. [cite omitted]. Because of the deference due the trial judge, unless an appellate court is left with the "definite and firm conviction that a mistake has been committed," [cite omitted], it must accept the trial court's findings.

Inwood Laboratories, Inc. v. Ives Laboratories, Inc., ... U.S. ....., 50 U.S.L.W. 4592, 4595 (1982) (footnote omitted). While there is evidence indicating that some hospitals and physicians became Medtronic customers only after the appellants joined Medtronic, there also is evidence indicating otherwise. *See* Rebuttal Testimony of Raich. We are not in the position of substituting our own judgment of the evidence for that of the district court's. The record contains conflicting evidence on the "long-term, near permanent clientele" issue and the district court reasonably credited evidence adverse to the appellants. We are not left with a "definite and firm conviction that a mistake has been committed" and must, therefore, conclude that the district court's finding is not clearly erroneous.

In this same regard, the appellants challenge the district court's finding that physicians are Medtronic customers. The record amply supports this conclusion inasmuch as the physicians were the "real" purchasers of the pacemakers even though the formal sale was made, in most cases, to the hospital. The district court correctly focused upon the substance of the sales transactions and not their form. Appellants cannot seriously dispute the fact that it is primarily the physician who influences and even decides which pacemaker from which manufacturer will be purchased by the hospital. Not only is this finding not clearly erroneous, but it is

correct. This conclusion is also supported by the decision in *Medtronic, Inc. v. Gibbons*, 527 F. Supp. 1085, 1094 n.3 (D. Minn. 1981), wherein the court stated:

> The ultimate consumer of pacemakers are cardiac patients, not hospitals or doctors. But the pacemakers are sold by the manufacturers to the hospital where the patient is being treated. The hospital purchases pacemakers on recommendations from a physician or other medical personnel treating a patient. Medtronic's sales effort focuses on the physicians and medical personnel. Thus, the term "customers" must include not only the hospital, which actually pays for the product, but also the physicians and surgeons who recommend which product to purchase.

One last point needs to be addressed. Defendants suggest in their briefs that a "long-term, near permanent clientele" cannot be found to exist unless there is present an exclusive relationship. They argue that inasmuch as hospitals and physicians who were Medtronic customers were free to purchase pacemakers from other manufacturers and did so in some cases, they could not be considered long-term nor permanent. We must reject this argument based upon the authority of *Morrison Metalweld Process Corp. v. Valent*, 97 Ill. App. 3d 373, 422 N.E.2d 1034, 1037-38 (1981). There is no support for the narrow interpretation asserted by the defendants. Exclusivity is simply not required.

For the reasons articulated by the district court as well as those just discussed, we hold that the record in this case sufficiently supports the district court's finding of a legitimate and protectible employer interest.

II.

The second argument raised by the defendants is that the restrictive covenant is not reasonable in scope in that it contains no geographical limits. They also argue that the injunctive relief ordered by the district court fails to adequately specify what conduct is prohibited and what conduct is not. Furthermore, they contend

that the district court's order encompasses conduct which the covenant is not intended to prohibit.

Appellants are correct in stating that the covenant and the district court's order contain no geographical limitations. However, this is not fatal in the business context in which this covenant arises. Where the covenant's restriction relates to the solicitation of customers, the absence of a geographical limitation is not unreasonable. The decisions of the Illinois Appellate Courts in *Donald McElroy, Inc. v. Delaney*, 72 Ill. App. 3d 285, 389 N.E.2d 1300, 1307-08 (1979) and *Wolf & Co. v. Waldron*, 51 Ill. App. 3d 239, 366 N.E.2d 603 (1977), are squarely on point. The one year limitation, in light of the amount of time needed to adequately retrain another salesperson, is also reasonable to protect Medtronic's interest.

The vagueness and overbreadth arguments can for practical purposes be merged in this case. It would be impossible for any court to identify every conceivable act that would be covered by the restrictive covenant. All that is required under Fed. R. Civ. P. 65(d) is for the language of the injunction to be as specific as possible under the totality of the circumstances, such that a reasonable person could understand what conduct is proscribed. *City of Mishawaka v. American Electric Power Company, Inc.*, 616 F.2d 976, 991 (7th Cir. 1980), *cert. denied*, 449 U.S. 1096 (1981). We believe the district court has satisfied this requirement. A plain reading of the injunction reveals that any contacts associated to any degree with the possible sale of pacemakers, with either hospital officials or physicians with whom the appellants had contact in the year prior to their leaving Medtronic, are prohibited. On pages 16 and 17 of its decision, the district court elaborates on the prohibition by identifying several specific acts which are covered. This elaboration helps to clarify the boundaries of the injunction. We believe the injunction is as specifically and clearly framed as possible in light of the commercial environment in which it arises and is being applied. The appellants are placed on adequate notice regarding permissible and impermissible conduct. They are, of

course, always free to seek a more detailed statement if they so choose. *See American Home Products Corp. v. Johnson & Johnson*, 577 F.2d 160, 171 (2d Cir. 1978). But it is our conclusion that the language of the injunction is sufficiently definite and specific to guide the appellants in their business affairs and to apprise them of the injunction's scope and to safeguard the interests of all parties. Their claim to the contrary is really an unsuccessful attempt to subvert the covenant's prohibitions which are reasonable and enforceable in this case.

III.

The last argument made by the appellants is based upon public policy considerations. They claim that public health and welfare are seriously endangered by the limitations placed upon their business activities, thereby rendering the restrictive covenant unreasonable. There is evidence in the record which tends to support appellants' factual assertion that hospitals and physicians who otherwise would seek assistance from the appellants would consider it a loss not to be able to continue to seek assistance from the appellants. But we cannot accept appellants' proposition that this evidence establishes that the public interest is significantly harmed as a result. There is nothing to indicate that the quality of medical care would suffer by enforcement of the restrictive covenant. This same argument was made and rejected in *Medtronic, supra*, 527 F. Supp. at 1095. The reasoning of the district court there is equally applicable to this case.

> Gibbons argues that the public interest of making sure that all patients receive the best medical care available would be seriously hampered by restraining Gibbons. He would be limited in assisting doctors in implantations of pacemakers and from giving seminars to nurses and other hospital personnel. Although Gibbons does perform some beneficial public services by taking part in surgeries and giving seminars, he is primarily a salesman, not a doctor or an educator. His activities contribute to

> improving the quality of health care, but his temporary absence from a portion of his sales area would not seriously deteriorate the quality of health care in that area. In addition, Gibbons argues that restraining him may tend to reduce the competition for biomedical devices in his sales area. However, there is substantial competition in the pacemaker industry, and Pacesetter has only a minor portion of the market for pacemakers in northern California. Restraining Gibbons in the limited way available under the restrictive covenant would not seriously affect the competition in the industry. The public interest only slightly favors Gibbons, and is not nearly strong enough to prevent issuance of an injunction in view of the strength of the other three prongs of the *Dataphase* test.

While the appellants have played some role in the dissemination of medical care, the record shows that their impact is simply not as significant and essential as they would have the court believe. They are not an indispensable element whose absence will result in immediate and dangerous consequences. The pacemakers which they sell can still be sold to anyone their new employer chooses to contact, including Medtronic's customers. The only restriction is that they cannot do the selling. And while their personal services may be desired and helpful, there is no evidence indicating that services of equal quality and quantity are unavailable. Furthermore, the restriction is effective for only one year. Under these circumstances, we cannot agree that the public interest suffers from enforcement of the restrictive covenant.

The identical argument was made in *Canfield v. Spear*, 44 Ill. 2d 49, 254 N.E.2d 433, 435 (1969), with the employee there being a physician. The court stated:

> Nor is the contract injurious to any legitimate interest of the public. Defendant can be as useful to the public at some other place in the State as he can in Rockford, and the health of persons elsewhere is just as important. It cannot be said that the public interest is adversely affected if a physi-

> cian decides to move from one community to another, nor does it become so if the move results from some agreement made in advance. If a severe shortage exists in any particular place young doctors will tend to move there, thus alleviating the shortage.

These considerations are equally applicable here. Appellants seem to believe that all of their business activities are prohibited. That is simply not true. There is nothing to indicate that needs previously served by the appellants cannot be served by others or that there is a shortage of salespersons possessing the skills and abilities of the appellants. Only the appellants' interests are implicated by enforcement of the restrictive covenant, not the public's. They voluntarily contracted for the obligations they now must fulfill and the district court has given full and proper effect to those obligations.[1]

IV.

Appellants Benda and Conde filed jury demands with the district court in this case. The requests were denied and only Benda appeals from that decision. We find no merit in his argument and adopt the district court's November 9, 1981 decision in its entirety (Appendix B). We only add that the district court did not, contrary to Benda's apparent impression, deny him a jury trial on his federal antitrust claim. The manner in which the district court handled these cases was reasonable and proper.

For all these reasons, the judgment of the district court is AFFIRMED.

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[1] Upon joining Intermedics, the appellants signed employment contracts which contained restrictive covenants very similar to those contained in their Medtronic employment contracts. It is somewhat puzzling why they would sign such agreements if they seriously disputed the necessity and enforceability of the clauses.

APPENDIX A

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

MEDTRONIC, INC., *Plaintiff,* -*vs*- CHARLES F. BENDA, *Defendant.*	No. 81 C 5029
MEDTRONIC, INC., *Plaintiff,* -*vs*- EMIL CONDE, *Defendant.*	No. 81 C 5030
METRONIC, INC., *Plaintiff,* -*vs*- WILLIAM C. CAIN, *Defendant.*	No. 81 C 5051 (Consolidated)

MEMORANDUM OPINION AND ORDER

Plaintiff, Medtronic, Inc. ("Medtronic"), brought separate diversity actions for declaratory and injunctive relief against three of its former employees, Charles F. Benda, Jr. ("Benda"), Emil Conde ("Conde"), and William C. Cain ("Cain"), to enforce certain noncompetition agreements which the three had signed while employed by Medtronic. On September 4, 1981, temporary restraining orders were entered against Benda and Conde, which orders have since expired. On September 8, 1981, the actions against all three defendants were consolidated for discovery purposes, and on September 24, 1981, they were consolidated for all purposes, including trial. Trial was held from November 9 through November 16, 1981. During the course of the trial, the court entered an order restraining the defendants from violating the non-competition agreements pending the outcome of the trial, which order has continued to be in effect to the date of this opinion, except as modified by an order of the Seventh Circuit Court of Appeals, dated January 21, 1982. This court has reviewed the transcript of the trial as well as the relevant exhibits, and hereby enters the following findings of fact and conclusions of law.

I. *Findings of Fact*

Medtronic is a Minnesota corporation with its principal office and manufacturing facilities located in Minneapolis, Minnesota. Medtronic is engaged, *inter alia*, in the manufacture and sale of implantable cardiac pacemakers (hereinafter "pacemakers") and related devices and equipment. The defendants, Benda, Conde and Cain, are all former sales representatives for Medtronic. Benda became a Medtronic employee on April 11, 1977. Benda is a college graduate, and had several years of sales experience prior to joining Medtronic. Conde became a Medtronic sales representative on or about August 1, 1977. Conde had previously attended college for two years and, like Benda, had several years of medical sales experience before his association with Medtronic. Cain joined Medtronic on September 1, 1977. Cain is

also college educated, and he, too, had worked as a sales representative prior to joining Medtronic. None of the defendants was hired for a specific term of employment. All were employed at will.

Subsequent to being hired by Medtronic, each of the defendants was assigned a specific geographic territory within the greater Chicago metropolitan area (extending into Indiana in the case of defendant Conde). All three were then given extensive videotape and classroom training in the sciences and sales. Medtronic supplemented this training with self-directed study materials, and also with additional training in the field, where the salesmen were coached in sales technique, and also attended the surgical implantations of pacemakers, as it was a common practice for Medtronic salesmen to attend such surgeries. All of the defendants were trained by Medtronic to be skilled sales professionals, not merely "order takers." The initial training period for a Medtronic sales representative, although not susceptible of precise definition, was between one and six months.

As sales representatives for Medtronic, the defendants were responsible for persuading physicians and surgeons in their respective territories to prescribe and implant Medtronic pacemakers in their patients.[1] To effect that objective, the salesmen provided physicians with a wide range of services outside of the actual "sale" of the pacemaker. For instance, the defendants often counselled doctors regarding the selection of pacemakers for particular patients, and actually attended the surgical implantation of pacemakers, often on short notice, in order to provide physicians with continuing technical assistance. The defendants also arranged new product demonstrations for doctors and hospitals in their respective territories, and sometimes arranged to

[1] Although pacemakers are usually purchased by hospitals, not doctors, the prescribing physicians and surgeons are the individuals who effectively choose which brand to implant. Therefore, they are the primary focus of the salesman's attention.

fly physicians to Minnesota to tour Medtronic's manufacturing facilities. In addition, the defendants often entertained doctors and hospital staff members, at Medtronic's expense. Pacemakers sales, as practiced by Medtronic, were characterized by close personal and professional relationships between the pacemaker sales representative and the prescribing physicians and surgeons.

When each of the defendants joined Medtronic, he executed an employment agreement (hereinafter the "old agreement"), which contained a restriction of competition with Medtronic at the conclusion of his employment. The restriction provided:

> "For 360 days after my employment, I will not attempt to divert any Company business by influencing customers with whom I or my subordinates were connected [during] the last year of my employment."

Late in September, 1977, each of the defendants signed a revised employment agreement (the "revised agreement"), which contained, among other things, a revised restriction on post-termination competition. In relevant part, the revised agreement provided:

> "In consideration of my employment, continued employment, promotion or increase in compensation by the Company, I hereby agree as follows:
>
> . . . .
>
> 5(b).
> "For 360 days after termination of my employment with the Company, I will not attempt to divert any Company business by soliciting, contacting or communicating with any customers for the Company's products with whom I, or employees under my supervision, had contact during the year preceding termination of my employment"

Benda signed the revised agreement on September 23, 1977, Conde on September 29, 1977, and Cain on September 27, 1977. Each of the revised agreements was also signed by David Raich, the Chicago District Man-

ager for Medtronic (and the defendants' immediate superior), and Dale Olseth, Medtronic's president and chief executive officer.

In return for signing the revised agreement, each of the defendants continued to be employed by Medtronic. At the time the defendants signed, Medtronic also changed its method of compensating its salesmen, replacing a "quota" method with an "eight quarter rolling average method" or "EQRA." That change resulted in increased compensation for each of the defendants. The change in compensation, although announced in late September, 1977, was made retroactive to August 1, 1977.[2]

Benda resigned from Medtronic on August 31, 1981, Conde resigned on September 2, 1981, and Cain resigned on September 4, 1981. All three defendants are now independent pacemaker sales representatives for Intermedics, Inc., a competitor of Medtronic.[3]

Each of the defendants accepted an identical compensation package from Intermedics, consisting of a "salary support" program of up to two years duration, followed by commission compensation equal to 15% of Intermedics' gross sales in his assigned Intermedics territory. The salary support program consists of:

> Two years' guaranteed salary of $100,000 per year;
>
> Reimbursement of all business-related expenses, plus a monthly car allowance of $600;
>
> A $5,000 bonus for the sale of the first ten Intermedic's pacemakers in each defendant's "territory;"

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[2] Because of the retroactivity of the change in compensation, Cain and Conde were actually never compensated under the quota method, although they were employed while that method was in effect.

[3] To be precise, defendant Benda is now employed by Cardio Care Systems, Inc., a corporation which he created just after he left Medtronic. Cardio Care is an independent contractor for Intermedics.

Reimbursement of all legal fees incurred in litigation with Medtronic.

Intermedics has assigned the defendants both temporary and permanent territories. Each defendant's permanent territory consists largely of the hospitals which were in his former Medtronic territory, and each defendant's temporary territory consists only of hospitals outside of his former Medtronic territory. Each defendant agreed to work in his temporary territory until 360 days had elapsed following his resignation from Medtronic, or until such time as a court ruled that he may reenter his former territory. Benda's temporary territory consists largely of Cain's former Medtronic territory, Cain's temporary territory consists mainly of Conde's former Medtronic territory, and Conde's temporary territory consists mainly of Benda's former Medtronic territory.

Notwithstanding the fact that none of the defendants' temporary Intermedics' territories requires that he reenter his former Medtronic territory, since resigning from Medtronic all three of the defendants have had numerous contacts with hospitals and doctors from their former Medtronic territories. Benda's contacts include: (1) the sale of Intermedics pacemakers to doctors whom he had formerly contacted for Medtronic; (2) attendance at surgeries performed in his former Medtronic territory at which Intermedics pacemakers were implanted; and (3) personally introducing defendant Conde to some of the individuals upon whom Conde would be calling as the temporary Intermedic salesman in Benda's territory. Conde's contacts in his former Medtronic territory consist primarily of visits, lunches and dinners with various doctors whom he had contacted for Medtronic. On most of those occasions, Code [sic] discussed the qualifications of defendant Cain, who was the temporary Intermedics salesman in Conde's territory. Conde did not sell the doctors Intermedics pacemakers, however, and there was no evidence that he has attended surgeries in his former Medtronic territory since resigning. Defendant Cain's contacts with his former Medtronic territory have been extensive. They include: (1) dropping off his

new Intermedics business cards at at least nine of the hospitals in his former Medtronic territory; (2) the sale of Intermedics pacemakers to doctors whom he had formerly contacted as a Medtronic employee; (3) attendance at surgeries performed in his former Medtronic territory at which Intermedics pacemakers were implanted; and (4) arranging Intermedics product demonstrations in his former Medtronic territory.

As a result of the above contacts and communications, the court finds that Medtronic has been injured, although the extent of the harm is not susceptible of quantification. During September and October, 1981, Medtronic experienced a drop in sales in its Chicago District office of nearly 100 pacemakers. Pacemakers cost an average of $3,500 apiece. The court concludes that at least a portion of Medtronic's loss is attributable to the defendants' actions.

II. *Conclusions of Law*

The two central issues in this case are the enforceability of the non-competition clause contained in the revised employment agreement and, if the clause is found to be enforceable, the interpretation of certain language contained in that provision. First, the court will address the issue of enforceability.

A. *Enforceability of the Non-Competition Agreement*

Under Illinois law, a restrictive covenant in an employment contract is enforceable where the employer demonstrates the existence of: (1) a valid, binding, contract; (2) a protectible interest in the enforcement of the covenant which justifies its enforcement; and (3) reasonable limitations on the scope of the covenant. *E.g., Gorman Publishing Co. v. Stillman*, 516 F.Supp. 98, 104 (N.D.Ill. 1981). *See Cockerill v. Wilson*, 51 Ill.2d 179 (1972); *Canfield v. Spear*, 44 Ill.2d 49 (1969); *Morrison Metalweld Process Corp. v. Valent*, 97 Ill. App.3d 373, 376 (1st Dist. 1981). Here, the defendants have challenged Medtronic's non-compete clause on all three grounds.

1. *The existence of a valid contract*

All three of the defendants signed employment agreements containing restrictive covenants when they joined Medtronic in 1977 (the "old agreement"), and signed revised agreements containing similar post-termination restrictions late in September of that year. The defendants were all experienced salesmen at the time that they signed those agreements, and they were educated individuals as well. It cannot be said that they either lacked contractual capacity or were unable to comprehend the meaning of the restrictions on competition to which they agreed.

The defendants have argued that the revised agreement should be found void for lack of consideration. The court cannot agree. The revised agreement was supported by two alternatively sufficient bases for consideration. First, Medtronic changed its compensation scheme to the EQRA at the time that the defendants signed the agreement, thereby increasing the salary of each. An increase in pay is certainly sufficient consideration to support a modification of an employment agreement. Although defendant Conde argues that the EQRA was changed in May of 1981, and that therefore, Medtronic's consideration for the revised agreement has been withdrawn, he has failed to demonstrate a return to the quota system which preceded the EQRA, or that his own level of pay has returned to what it would have been under the old system. A mere revision in Medtronic's compensation scheme, which is all that Conde has demonstrated, does not, in itself, render the revised agreement unenforceable.

In addition to compensation increases, in this case continued employment of the defendants by Medtronic was sufficient consideration to render the revised agreement enforceable. *See Carter v. Kaskaskia Community Action Agency*, 24 Ill.App.3d 1056, 1059 (5th Dist. 1974). Where, as here, employment is at will, and the employees agreed to the restrictions when they began their employment, the court finds that their continued employment is sufficient consideration for a revision in the terms of the restriction. *Id. See Reed, Roberts Associates,*

Inc. v. Bailenson, 537 S.W.2d 238, 240, 241 (Mo. App. 1976); *Farm Bureau Service Co. v. Kohls*, 203 N.W.2d 209 (Iowa 1972); *Wrentham Co. v. Cann*, 189 N.E.2d 559 (1963). *But see George W. Kistler, Inc. v. O'Brien*, 347 A.2d 311 (Pa. 1975); *James C. Greene Co. v. Kelley*, 261 N.C. 1966 (1964).[4] In this case, each of the defendants signed an agreement which explicitly stated, "In consideration of . . . my continued employment, . . . I agree as follows . . ." The court finds that the agreements were, as the employees agreed at the time, supported by consideration.

The last of the defendants' challenges to the validity of the revised agreement is that the agreement was an adhesion contract, and that the defendants signed the contract under the duress of either signing or losing their employment. Neither of the arguments is persuasive. True, the Medtronic employment agreements were prepared by Medtronic. That fact alone, however, provides no evidence of the gross disparities in bargaining power which typify most adhesion contracts. *See United States Trotting Association v. Chicago Downs Association*, 487 F.Supp. 1008 (N.D.Ill. 1980). The defendants signed the old agreement at a time at which Medtronic

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[4] The issue of consideration is discussed at length in *Reed, Roberts*. There, the defendant employee challenged the validity of a revised non-competition agreement as lacking sufficient consideration. There, as here, the defendant's employment was at will, and he had signed an original non-competition agreement when he began his employment. The court found that the revised agreement was supported by the consideration of the defendant's continued employment:

> "[T]he continuance by the employer of the employment where continuance is not required supplies adequate consideration for a secondary contract [such as the revised non-competition agreement]. . . .
>
> "Here, we are not considering a contract of employment for a definite term where a party brings about a modification during the term without any consideration. The prior contracts between plaintiff and defendant could be terminated by either party. As found by the trial court, the . . . contract upon which the suit was brought was based upon the consideration of continued employment."

needed additional salesmen, and the defendants were seeking employment. Based on the evidence presented, the defendants simply chose to accept Medtronic's terms of employment. There is no evidence that any was coerced to do so. Regarding the revised agreement, there is no evidence that any of the defendants disagreed with its terms when it was presented to them in late September, 1977, or that Medtronic was, at that time, capitalizing upon any disparity in bargaining power. Indeed, there is little if any substantive difference between the non-competition clauses in the two agreements. No evidence was presented to suggest that any of the defendants sought modification of any of the terms of the revised agreement, or that they even questioned the meaning of the new non-competition clause. The defendants' entire argument seems to be predicated upon Medtronic's insistence that continued employment was contingent upon their signing the revised agreement, but in doing so, the defendants mistake consideration for coercion. Courts have consistently enforced revised employment agreements which were conditioned upon continued employment. *See, e.g., Reed Roberts, supra.* When the terms of employment at will are revised, an employee must decide whether to accept the new terms or seek alternative employment. Continued employment under the old terms may simply not be one of the options available to the employee, and the fact that it is not one of the options available does not make the employee's decision the product of coercion. The court concludes that the defenses of duress and adhesion fail, and that both the old agreements and the revised agreements signed by each of the defendants were valid contracts.

2. *The existence of a protectible employer interest*

Under Illinois law, a post-termination non-competition clause is not enforceable "unless the employer can demonstrate that a 'protectible interest' justifies it . . ." *Gorman Publishing Co. v. Stillman,* 516 F.Supp. at 104. Two such protectible interests are generally recognized. First, if the employee "acquired confidential informa-

tion through his employment and subsequently attempted to use it for his own benefit," courts will allow the employer to protect his interest in that information. *Morrison Metalweld*, 97 Ill.App.3d at 376. Second, courts will allow an employer to protect his interest in its customers if, by the nature of the business, the employer has "a long-standing relationship with its customers, with whom the defendant would not have come in contact" but for his association with the plaintiff. *Id. See Cockerill v. Wilson, supra; Canfield v. Spear, supra; Donald McElroy, Inc. v. Delaney*, 72 Ill.App.3d 285 (1st Dist. 1979); *Wessel Co. v. Busa*, 28 Ill.App.3d 686, 692 (1st Dist. 1975). *Cf., Nationwide Advertising Service, Inc. v. Kolar*, 14 Ill.App.3d 522 (1st Dist. 1973) (no protectible interest in customers where relationship is merely transitory). Although this case presented a very close question as to the first type of protectible interest, whether the defendants possessed the requisite confidential information to justify enforcement of the agreement, the court finds that Medtronic's long term relationships with its customers bring it within the meaning of the second type of protectible interest, and therefore, the court need not address the confidentiality issue.

Medtronic's close professional relationships with its hospital accounts, prescribing physicians and implanting surgeons predates the defendants' employment with Medtronic. The defendants, none of whom sold pacemakers prior to joining Medtronic, received extensive training from the plaintiff, and were well-compensated by the plaintiff to further develop close personal and professional relationships with the doctors upon whom they called. The defendants, in developing those relationships "exceeded traditional boundaries of salesman responsibilities." *Wessel Co. v. Busa*, 28 Ill.App.3d at 692. Medtronic's salesmen played an integral role in the entire pacemaker implantation process, from sale through post-implanatation [sic] follow-up. Medtronic salesmen, among other things, attended surgeries and provided continuing technical assistance to the doctors upon whom they called. To further cement the close customer relationships, Medtronic periodically flew physicians to Minnesota to tour its facilities, and also paid the expenses for

its salesmen to wine and dine physicians and members of hospital staffs. As such, the relationships are more closely analogous to the near-permanent relationships described in *Morrison Metalweld*, *Cockerill* and *Canfield*, then they are to the transitory nature of many other unprotectible customer relationships. Therefore, the court finds a protectible interest to exist here which would justify enforcement of the agreement, thus satisfying the second requirement for enforcement.

3. *The existence of reasonable limitations on the scope of the covenant*

The final requirement-for [sic] the enforcement of a non-competition agreement is that the agreement be reasonable in scope as to both time and geography. *Briggs v. R. R. Donnelley & Sons., Inc.*, [sic] 589 F.2d 39, 41 (1st Cir. 1978) (applying Illinois law). The non-competition agreement here is reasonable as to both. First, the agreement only restricts the defendants' conduct for 360 days following their resignations from Medtronic. Given the length of time needed to replace an experienced employee and the shortness of the restriction, the court finds the time restraint to be reasonable. *See Cockerill, supra* (5-year restriction upheld); *Canfield, supra* (3-year restriction upheld).

Second, the court finds the geographic restraint contained in the agreement to be reasonable and tailored specifically to the interest which Medtronic seeks to protect. Medtronic's agreement restricts only contacts with those customers with whom each of the individual defendants dealt, and not all of the customers of Medtronic as a whole. Furthermore, the restriction does not foreclose the defendants from selling pacemakers in the Chicago metropolitan area, so long as they do not contact customers with whom they previously dealt. The narrowness of that limit has enabled the defendants to secure territories with Intermedics which do not even require them to relocate from their present residences. The restriction at bar is reasonable as to time and geography and is not unduly burdensome to the defendants. *See Gorman Publishing Co. v. Stillman*, [*supra*].

The court concludes, after reviewing the non-competition agreements here, that they are reasonable and should be enforced. The Illinois Appellate Court in *Morrison Metalweld* observed, "[w]hen a party to an employment contract agrees, in exchange for certain benefits, to refrain from competing with his or her employer, that agreement should be enforced where equitable." 97 Ill.App.3d at 376. Here, it seems only equitable that Medtronic should have the right for which it contracted, to replace the defendants in its close doctor-salesman relationships before the defendants have the opportunity to appropriate those relationships for their own private gain.

B. *Interpretation of the agreement*

Having decided that the restrictive covenant is enforceable, the court is next required to interpret the terms of the agreement. The defendants contend that the use of the word "customer" in the agreement means that they should only be restrained from contacting hospitals, and that they should be left free to contact doctors with whom they dealt as Medtronic employees. According to their argument, hospitals are the ones who actually order the pacemakers, and are therefore the salesmen's customers within the common meaning of that term. The court rejects that argument. While it is true that hospitals may be responsible for the actual ordering of pacemakers, the real "customers" in the pacemaker industry are the physicians who prescribe them. In the pacemaker business, the salesman's attentions are usually focused upon the physician, the individual whom the salesman counsels in making certain pacemaker selection decisions, whom the salesman assists in the operating room, and whom the salesman wines and dines. He or she is clearly the saleman's customer.

The defendants have suggested that regardless of the meaning of the word customer in the pacemaker industry, the plaintiff, which drafted the agreement, failed to define the word for the defendants, and therefore, the word should be defined according to its ordinary meaning, and construed against the drafter. The court rejects

that argument. At the time that the defendants signed the revised agreements, the court concludes that all of them knew that the term customer included physicians. Second, the court finds that in the context of sales in general, the term "customer" is broad enough to include generally the class of individuals upon whom a salesman calls in effecting his sales, regardless of which of those individuals actually places the order. The defendants were all experienced salesmen when they signed their first employment contracts with Medtronic. Certainly, Medtronic told them upon whom they would be calling for their new employer. The court can only conclude that the defendants understood the restriction on contacts to include physicians. The definition of customer suggested by the defendants is simply too narrow to be accepted.

The sole remaining question of interpretation concerns the following language in the agreement: "I will not *attempt to divert* any Company business *by* soliciting, contacting or communicating . . ." (emphasis added). By its terms, the agreement only prohibits attempts to divert and not all communication with former customers of the defendants. While it is difficult to ascribe a precise meaning to the phrase "attempt to divert," the court concludes, based on all of the evidence, that the following conduct constituted impermissible attempts to divert which violated the non-competition agreement:

1. The distribution of Intermedics business cards by Cain in his former Medtronic territory;
2. Sales of Intermedics pacemakers by Benda and Cain to doctors or hospitals whom they had contacted in their last year with Medtronic, regardless of whether the hospitals at which the implantations were performed were located within their former Medtronic territories;
3. Attendance at surgeries in their former territories at which Intermedics pacemakers were implanted by Benda and Cain;
4. Benda's personal introduction of Conde to various individuals with whom Benda dealt in his last year with Medtronic;

5. Cain's arrangement of a product demonstration in his former Medtronic territory;

6. Conde's lunch and dinners with doctors whom he had contacted during his last year with Medtronic violated the non-competition agreement as follows:

   a. Any meals which were paid for by Intermedics are conclusively presumed to have been for the purpose of diverting business, whether in the long term or short term;

   b. Any discussion of the qualifications of either of Conde's co-defendants, who would be serving the doctor or hospital temporarily, constitutes attempts to divert business.

The above list of impermissible attempts to divert business is not exhaustive. While the court will not speculate as to hypothetical cases or prejudge whether or not certain activities might be found to be violative of the agreement, nevertheless, it should be noted that neither subtle nor explicit attempts to divert business are permitted under the agreement. Contact of a former customer, even to sell nonpacemaker products, may be construed as an attempt to divert business where the defendants' new employer sells directly competing pacemakers. Also, contact need not be initiated by one of the defendants in order to constitute an attempt to divert business. An attempt to divert business may consist of merely responding to a physician's request for information or assistance. To protect the public interest, medical emergencies, of course, are excluded from that proscription.

Non-competition agreements such as the one at issue here do not violate the First Amendment rights of the restricted parties, but are designed only to achieve the restriction of certain commercial speech for which the parties themselves had contracted. The court does not hold that the defendants may not communicate. Rather, it holds only that each of the defendants may not attempt to divert business from the plaintiff. Communication, per se, is restricted only insofar as it would vio-

late the non-competition agreement agreed to by the parties.

C. *Claims for additional relief*

1. *Tortious conduct*

In addition to its request for injunctive and declaratory relief on its contract claim, the plaintiff introduced certain evidence at trial which it now claims supports a finding of tortious conduct on the part of the defendants, although no such claim was stated in the complaint. As relief for the alleged tortious conduct, the plaintiff seeks to restrain each of the defendants from contacting his former Medtronic customers for one additional year beyond the 360 days provided for in the non-competition agreement. The plaintiff seeks also to amend its complaint to conform with the evidence presented at trial. The court denies the plaintiff's requests for several reasons.

First, at the time that this court consolidated these cases, and at the time that the defendants conducted discovery and otherwise prepared for trial, these cases were represented to be three virtually identical breach of contract cases. The court finds that the defendants would be unduly prejudiced by any attempt to transform those cases at this time into three very dissimilar tort actions. Second, the additional relief which the plaintiff requests is effectively directed against Intermedics, Inc., which has never been made a party to this action. Any such attempt to punish a non-party to this action seems to the court to be inappropriate, regardless of the interest which the non-party may have in the proceedings. Finally, to the extent that any such tortious conduct could be proven, there has been no attempt made to prove that there has been any injury as a result of the tortious conduct per se, as distinguished from the injury caused by the breach of contract alone. In all, the court finds that the parties did not consent to the trial of Medtronic's tort claims pursuant to Fed.R.Civ.P. 15(b), and that justice requires that the plaintiff's request to amend its complaint pursuant to Fed.R.Civ.P. 15(a) or 15(d) be denied.

2. *Restrictions based upon mutual agency*

The plaintiff's final request for additional relief suggests that because of the defendants' close relationships among themselves, their rotation of former Medtronic territories to serve as temporary Intermedics territories, and their habit of covering each other's surgeries, each defendant should be enjoined from entering the former Medtronic territory of either of his co-defendants for the remainder of the 360-day non-competition period. The court rejects the plaintiff's argument.

The court recognizes that attempts to circumvent restrictive covenants may, in some cases, justify restraints on non-parties to the covenants. *See Arwell Division of Orkin Exterminating Co. v. Kendrick*, 131 Ill.App.2d 632 (3d Dist. 1971) (wife held to be bound by husband's non-competition agreement). Nevertheless, the court cannot find that the defendants here were so identified with each other as to be considered each other's agents or alter egos, and will not restrict them from each other's former Medtronic territories. Of course, none of the defendants is free to reenter his own former territory for the purpose of introducing one of his codefendants to potential customers, and the defendants are not free, under the terms of the non-competition agreement, to impart to each other any confidential information they might possess regarding particular contacts within their former Medtronic territories. Any such contacts or information would represent an impermissible attempt to appropriate Medtronic's protectible customer relationships discussed above. *See Donald McElroy, Inc. v. Delaney*, 72 Ill.App.3d at 291-2.

III. *Conclusion*

For all of the reasons stated above, the court concludes that clause 5(b) of the revised employment agreements entered into between Medtronic and each of the three defendants is valid and enforceable for 360 days following each defendant's resignation from Medtronic. The agreement is enforceable against Benda until August 25, 1982, against Conde until August 27, 1982, and

against Cain until August 29, 1982. Until such time as the agreement is no longer enforceable against him, each defendant is ORDERED not to attempt to divert any Medtronic business by soliciting, contacting or communicating with any customers for Medtronic products, including physicians, with whom he, or employees under his control, had contact during the year preceding his resignation from Medtronic. The defendants are particularly ORDERED not to engage in any further conduct or practices in contacting and dealing with their former Medtronic customers as described at pages 16 and 17 of this opinion and found to be in violation of the agreement:

The above findings of fact and conclusions of law represent a final resolution of Medtronic's claim for injunctive and declaratory relief against the three defendants. Those findings and conclusions are entered without prejudice to any additional right of Medtronic to petition the court for appropriate relief and sanctions, including possible contempt citations, against any of the defendants for violations of the non-competition agreement committed during the pendency of any restraining order or temporary injunction of this court, or breach of any additional agreement or representation by the parties that they would not violate section 5(b) during the course of this litigation.

ENTER: BERNARD M. DECKER
United States District Judge

DATED: February 4, 1982.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

MEDTRONIC, INC.,	)	
	)	
Plaintiff,	)	
	)	
-*vs*-	)	No. 81 C 5029
	)	(Consolidated)
CHARLES F. BENDA,	)	
	)	
Defendant.	)	

MEMORANDUM OPINION AND ORDER

Plaintiff, Medtronic, Inc., brought civil actions for declaratory and injunctive relief against three of its former employees, Charles F. Benda, Emil Conde and William C. Cain, to enforce the terms of noncompetition agreements which were allegedly in effect at the time that the three resigned from Medtronic's employ in August and September, 1981. The three cases were originally consolidated for discovery purposes, and have since been consolidated by the court for all purposes, including trial. Before the court are defendants Benda and Conde's jury demands as to Medtronic's claim.[1]

Rule 57 of the Federal Rules of Civil Procedure provides that in actions for declaratory judgment pursuant to Title 28, U.S.C. §2201, "the right to trial by jury may be demanded under the circumstances and in the manner provided in Rules 38 and 39 [of the Federal Rules of Civil Procedure.]" Although Benda and Conde have

[1] Defendant Benda, in addition to answering Medtronic's complaint, has filed a counterclaim, and a jury demand as to the counterclaim. This will be discussed separately, later in the court's opinion.

filed timely jury demands, Fed.R.Civ.P. 38(b), the court on its own motion strikes those demands pursuant to Rule 39(a):

> "When trial by jury has been demanded as provided in Rule 38, . . . [t]he trial of all issues so demanded shall be by jury unless . . . the court upon motion or of its own initiative finds that a right of trial by jury of some or all of those issues does not exist under the Constitution or statutes of the United States."

The court's decision to strike the demand is compelled by its conclusion that this is an action wholly for equitable relief, and therefore no right to a jury trial exists.

The Seventh Amendment to the United States Constitution provides that in "[s]uits at common law, where the value of the controversy shall exceed twenty dollars, the right of trial by jury shall be preserved." Of particular relevance here are the words "suits at common law." It is generally recognized that if a case "is a purely equitable one," it is not considered a suit at common law, and "the parties are not entitled to a jury." *Owens-Illinois, Inc. v. Lake Shore Land Co., Inc.*, 610 F.2d 1185, 1189 (3d Cir. 1979) (court held no right to jury trial in action for declaratory relief and specific performance of option clause in commercial lease, where plaintiff sought only equitable relief and no damages). *See Ross v. Bernhard*, 396 U.S. 531, 537-38 (1970); *Dairy Queen, Inc. v. Wood*, 369 U.S. 469 (1962). The sole issue here in determining the defendants' right to a jury trial on Medtronic's claim, then, is whether that claim is wholly an equitable one.

Unlike typical breach of contract actions, this suit is, in essence, an action to declare the continuing validity of a contract, specifically the noncompetition clause in an employment contract. The plaintiff here does not seek damages for breach, but only requests that the court enjoin the defendants from breaching that term. The relief requested is, in essence, specific performance of a restrictive covenant. Such a claim is not a suit at common law. As the Third Circuit noted:

> "An action for specific performance, without a claim for damages is purely equitable and historically has always been tried to the court. *See Klein v. Shell Oil Co.*, 386 F.2d 659 (8th Cir. 1967); 5 Moore's Federal Practice ¶3821 (2d ed. 1979); 9 C. Wright & A. Miller, [Federal Practice and Procedure, Civil,] *supra* §2309."

Owens-Illinois, 610 F.2d at 1189. *See United States v. Snepp*, 456 F. Supp. 176 (E.D.Va. 1978), *aff'd*, 595 F.2d 926 (4th Cir. 1979), *rev'd on other grounds*, 444 U.S. 507 (1980), (jury demand denied in suit for specific performance of employment termination agreement as to plaintiff's claim for injunctive relief).

Defendant Conde has argued that his answer, in which he pleads such defenses as lack of consideration, prior breach by Medtronic, and misrepresentation, raises legal issues, and that he is thereby entitled to a jury trial. Similarly, defendant Benda has asserted defenses of lack of consideration and the unreasonableness of Medtronic's restraint. The court rejects the argument. While the defenses may raise factual issues, they fail to convert Medtronic's action into a legal one. As the Third Circuit pointed out in *Owens-Illinois*, "issues of fact arise in both legal and equitable proceedings," and the existence of factual defenses in an equitable proceeding does not require a jury. 610 F.2d at 1190. The defendant there had argued that the contract he was sued on was unenforceable because of failure of consideration and the plaintiff's prior breach of the contract. The court rejected the defenses as a basis for a jury trial right:

> "To prevail, the plaintiff must establish a valid contract, and the trial will require proof of disputed factual matters and favorable interpretation of law. That, however, does not make plaintiff's claim a 'legal one,' nor do the defendant's denial of facts and assertion of contrary construction of contract language amount to 'legal claims.'"

610 F.2d at 1190. The court here finds *Owens-Illinois* persuasive, and therefore denies the jury demands as to Medtronic's claim.

The Benda Counterclaim

Subsequent to this court's consolidation of these three cases, first for purposes of discovery, and then for all purposes, defendant Benda filed a counterclaim alleging that (1) Medtronic wrongfully obtained a temporary restraining order to enforce the noncompetition agreement; (2) Medtronic committed an unlawful restraint of trade by consistently enforcing the noncompetition agreement and otherwise restricting its salesmen; and (3) Medtronic, by certain business practices unrelated to the noncompetition agreement, has breached its agreement with Benda and otherwise injured him. This counterclaim was timely filed, although it should be noted that it was filed subsequent to the court's decision to consolidate the three cases for trial, and also subsequent to the dismissal of Medtronic's claim against Benda (and the later reinstatement of that claim when the parties were apparently unable to effectuate an acceptable settlement agreement). Neither of the other two defendants has filed a counterclaim. The plaintiff has alleged that none of the counts of the counterclaim state a claim upon which relief can be granted.

Since neither of the other two defendants in this matter has filed a counterclaim, and since a number of the issues raised by Benda's claim are based on facts and circumstances unique to the relationship between Medtronic and Benda,[2] the court finds that severance of Benda's claim from that of Medtronic is appropriate. This especially is true where, as here, the plaintiff has alleged that the defendant has failed to state a claim upon which relief can be granted. Such a severance will be conducive to expedition and economy. Fed.R.Civ.P. 42(b). As the counterclaim will be tried separately, if it

[2] From what the court can determine, Benda is claiming that Medtronic forced him to create a pacemaker market where none was needed. This is the basis for his "prior breach" counterclaim, and also a partial basis for his "restraint of trade" counterclaim. Apparently, these facts are unique to Medtronic's relationship with Benda.

is sustained, Benda's jury demand as to its [sic] counterclaim need not be addressed at this time.

For all of the above reasons, the demand by Conde and Benda to a jury trial of Medtronic's claim for declaratory and injunctive relief is denied.

ENTER: BERNARD M. DECKER
United States District Judge

DATED: November 9, 1981.

A true Copy:
Teste:

Clerk of the United States Court of Appeals for the Seventh Circuit

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APPENDIX B

United States Court of Appeals

For the Seventh Circuit

Chicago, Illinois 60604

September 2, 1982

Before

Hon. WALTER J. CUMMINGS, Chief Judge

Hon. WILLIAM J. BAUER, Circuit Judge

Hon. ROBERT A. GRANT, Senior District Judge*

MEDTRONIC, INC., Plaintiff-Appellee,

Nos. 82-1212, 82-1021 vs.

CHARLES F. BENDA, EMIL CONDE and WILLIAM C. CAIN, Defendants-Appellants.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division. Nos. 81 C 5051, 81 C 5029 and 81 C 5030. Bernard M. Decker and George N. Leighton, Judges.

O R D E R

On consideration of the petition for rehearing and suggestion for rehearing en banc filed in the above-entitled cause by defendant-appellant William C. Cain, no judge in active service has requested a vote thereon, and all of the judges on the original panel have voted to deny a rehearing. Accordingly,

IT IS ORDERED that the aforesaid petition for rehearing be, and the same is hereby, DENIED.

---

* The Honorable Robert A. Grant, Senior District Judge for the Northern District of Indiana, is sitting by designation.

APPENDIX C

United States Court of Appeals

For the Seventh Circuit

Chicago, Illinois 60604

September 29, 1982.

Before

Hon. WALTER J. CUMMINGS, Chief Judge

Hon. WILLIAM J. BAUER, Circuit Judge

Hon. ROBERT A. GRANT, Senior District Judge*

MEDTRONIC, INC.,
Plaintiff-Appellee,

No. 82-1021, 82-1212 vs.

CHARLES F. BENDA, EMIL CONDE and WILLIAM C. CAIN,
Defendants-Appellants.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

Nos. 81 C 5051, 81 C 5029 and 81 C 5030
Bernard M. Decker and George N. Leighton, Judges.

ORDER

The opinion of the court in the above-captioned case is hereby amended as follows:

Page 17, line 6 --- 261 N.C. 1966 should read 261 N.C. 166.

*Honorable Robert A. Grant, Senior District Judge of the United States District Court for the Northern District of Indiana, sitting by designation.

No. 82-770

Office - Supreme Court, U.S.
FILED
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ALEXANDER L. STEVAS,
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1982

CHARLES F. BENDA,

Petitioner,

vs.

MEDTRONIC, INC.,

Respondent.

RESPONSE TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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82-770

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1982

CHARLES F. BENDA,	)
	)
Petitioner,	)
	)
-vs-	)
	)
MEDTRONIC, INC.,	)
	)
Respondent.	)

RESPONSE TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

OPINIONS BELOW

The opinions below are accurately described in the petition, except that the Seventh Circuit opinion is now reported at 689 F.2d 645.

QUESTIONS PRESENTED

There are no questions of sufficient significance to require the granting of writ of certiorari to the United States Court of Appeals for the Seventh Circuit.

STATEMENT

The statement of facts in the petition is full of loaded descriptious and hyperbole designed to create a misleading impression of the facts of this case. Respondent, however, will limit itself to correcting only important procedural facts.

On September 3, 1981, Medtronic, Inc. ("Medtronic"), filed a Verified Complaint for Injunctive Relief against petitioner, Charles F. Benda ("Benda"). The complaint asked for preliminary and permanent injunctive relief. Contemporaneously therewith a motion for a temporary restraining order and a preliminary injunc-

tion was filed. On September 4, 1981, a temporary restraining order was entered against Benda requiring him temporarily to refrain from acting in breach of the non-competition clause in his employee agreement with Medtronic. On September 21, 1981 defendant Benda filed an affidavit stating that he had no intention of violating the noncompetition clause of his employee agreement. Based on that affidavit, and a deposition of Benda taken in early September, Medtronic agreed to amend its complaint to ask for declaratory rather than injunctive relief. A First Amended Complaint was filed on September 22, 1981 for declaratory judgment as to the validity of the employment contract and the noncompetition clause.

It came to the attention of Medtronic that petitioner Benda was in fact commit-

ting wholesale violations of his employment agreement, in spite of the earlier restraining order and his later commitment by affidavit. An Amendment to Plaintiff's First Amended Complaint was filed on October 22, 1981, reinstating the request for injunctive relief.

Benda filed an answer to the First Amended Complaint for Declaratory Relief on October 15, 1981, raising two affirmative defenses. In addition he plead a counter claim in three counts. Benda demanded trial by jury.

Nearly identical cases against two other Medtronic sales representatives who left at approximately the same time as Benda and went with the same competitor as Benda, were filed within days of the Benda case. The three cases were consolidated for pretrial discovery, and later con-

solidated for all purposes. The two other cases followed roughly the same procedural route as the Benda case. One of the other two sales representatives requested a jury and one did not. Neither filed counter-claims. The three cases were tried together beginning November 10, 1981, before the Court without a jury. They were tried solely on the injunction request.

Four days prior to the trial, the District Court, on its own motion, called each of the counsel involved in the consolidated cases, and told them that the jury trial request was denied, and that the Benda counter-claims were severed for trial at a later date. On the first day of trial, November 10, 1981, the Court issued a written memorandum opinion and order on the jury and severance question. Benda made and argued on that date a motion for

reconsideration. It was denied.

The jury issue was raised again before the Seventh Circuit. The Seventh Circuit affirmed the order of the District Court and adopted its decision in its entirety. 689 F.2d at 650.

On or about March 16, 1982, the parties were before the District Court on Medtronic's Motion to Dismiss or for Summary Judgment on Counter-Claims, Counts I through III, by defendant Benda. Upon counsel for Benda's representation that if the decision of the Seventh Circuit were adverse, his client probably would not pursue those counter-claims, the Court entered an order staying the Motion to Dismiss or for Summary Judgment pending ruling of the Court of Appeals. Defendant Benda has never, since the day of the ruling by the Court of Appeals done any-

thing to pursue his counter-claims or to bring them before the District Court for trial. The motion for summary judgment or to dismiss remains pending.

The injunction against Benda expired August 25, 1982, in accordance with the terms of the employment agreement.

ARGUMENT

I.

THE DECISION OF THE COURT OF APPEALS FOR THE SEVENTH CIRCUIT IN MEDTRONIC IS NOT IN CONFLICT WITH ANY DECISION OF THE UNITED STATES SUPREME COURT

The only consideration governing review on certiorari, as set forth in Rule 17 of the Rules of the Supreme Court, which petitioner seriously claims, is that the decision of the Seventh Circuit in Medtronic is in direct conflict with the decision of the United States Supreme Court in Beacon Theatres, Inc. v. Westover, 359

U.S. 500 (1959).[1] That simply is not the case.

Petitioner's position would require one to hold that whenever factual issues are raised by an affirmative defense, or whenever counter-claims are filed which would otherwise require jury trial, regardless of the nature of the claim or claims for relief as pleaded in the initial complaint, there must, in every case, be a jury trial of the factual issues, or counter-claims, prior to a ruling on equitable claims. While that was never the holding in Beacon Theatres, Inc. v. West-

---

[1] Petitioner also cites as cases in direct conflict Heflin v. United States, 358 U.S. 415 (1959), a criminal case of no apparent relevance, and Pennsylvania R.R. v. O'Rourke, 344 U.S. 334 (1953), a case deciding whether a plaintiff's appropriate remedy was the Federal Employers' Liability Act or the Longshoremen's and Harbor Workers' Compensation Act, also of no apparent relevance.

over, 359 U.S. 500 (1959) or Dairy Queen, Inc. v. Wood, 369 U.S. 469 (1962), this Court laid that notion to rest in Katchen v. Landy, 382 U.S. 323 (1966) and Parklane Hosiery Co. v. Shore, 439 U.S. 322 (1979). In Parklane the Court stated:

> Both the premise of Beacon Theatres, and the fact that it enunciated no more than a general prudential rule were confirmed by this Court's decision in Katchen v. Landy, 382 U.S. 323. In that case the Court held that a bankruptcy court, sitting as a statutory court of equity, is empowered to adjudicate equitable claims prior to legal claims, even though the factual issues decided in the equity action would have been triable by a jury under the Seventh Amendment if the legal claims had been adjudicated first. The Court stated:
>
> > Both Beacon Theatres and Dairy Queen recognize that there might be situations in which the Court could proceed to resolve the equitable claims first even

> though the results might be dispostive of the issues involved in the legal claim. Id., at 339.

> Thus the Court in Katchen v. Landy recognized that an equitable determination can have collateral estoppel effect in a subsequent legal action and that estoppel does not violate the Seventh Amendment. 439 U.S. at 334-335.

Furthermore, the Medtronic case is truly an equitable claim. It is not like Beacon Theatres, where the suit for declaratory relief and a strange sort of injunction was a pre-emptive suit to stop a legal-in-nature antitrust claim. Nor is it like the Dairy Queen case where a large part of the claim was also essentially legal and immediate relief was not necessary as in many injunctive situations. In Medtronic the claim for relief was strictly for injunctive relief.

The very function of equity would be

defeated if the need for immediate injunctive relief could be defeated simply by filing an affirmative defense or counterclaim at law. And it is clear in this case that the counter-claims, which were not common to the two consolidated defendants, raised issues which would have required additional discovery and a longer and more complicated trial. Here, where violations of the restrictive covenants were occurring even during the trial itself, until a ruling had to be made on the second day of trial ordering the defendants' to cease, any further delay would have been crucial. Equity would not have had a chance to be done, however imperfectly.

In addition to the lack of conflict with any decision of the United States Supreme Court, plaintiff's argument contains factual and logical difficulties

which make his constitutional claims murky at best. If Benda is claiming that he has been deprived of his right to jury trial with respect to his affirmative defenses, the determinative factor in the right to a jury trial is not whether the pleadings require a resolution of factual disputes, but the type of relief which is sought. Ross v. Bernhard 396 U.S. 531, 538 (1970). In the consolidated trial, the only relief sought was Medtronic's request for injunctive relief to enforce the noncompetition clause in its employment agreements with the consolidated defendants, coupled with declaratory relief as to the meaning of the agreement. Benda has frankly conceded, in his brief to the Seventh Circuit at pages 23-24, that Medtronic has never requested damages against defendants in those proceedings. The mere fact that there are

factual issues does not convert a purely equitable claim into a legal one. Owens-Illinois, Inc. v. Lake Shore Land Co., 610 F.2d 1185, 1190 (3rd Cir. 1979).

If Benda is asserting that he is being denied jury trial rights with regard to his counter-claims, there are even more problems. With regard to the counter-claims, the issue is not ripe for decision. First, Medtronic has made a representation to the District Court that it does not intend to contravene whatever rights Benda is properly entitled to under the Beacon Theatre case or other case law. If there is any dispute as to any particular issue, that dispute will be presented to the District Court when, and if, the counter-claims are tried. Second, Medtronic made a motion for summary judgment or to dismiss each of the counter-claims. That motion

was stayed, and therefore not pursued by Medtronic, on counsel for Benda's representation that in all likelihood the claims would not be pursued if the decision of the Seventh Circuit were adverse to Benda, which it was. Thus, the motion to dismiss the counter-claims or for summary judgment is still pending, waiting to be briefed and decided. Third, Benda, since the date of the Seventh Circuit decision on February 4, 1982, has not pursued his counter-claims in any fashion, either by discovery, or by bringing them to the attention of the Court for the setting of a trial date. Thus, any issue as to Benda's deprivation of jury trial rights with regard to his counter-claims is premature. Furthermore, it is made legally doubtful by Parklane Hosiery Co. v. Shore, supra.

II.

QUESTIONS NUMBERS 4 AND 5 IN THE PETITION RAISE NO ISSUES WORTHY OF THE GRANTING OF A WRIT OF CERTIORARI DIRECTED TO THE SEVENTH CIRCUIT COURT OF APPEALS AS DEFINED IN SUPREME COURT RULE 17, AND ARE THEREFORE NOT ADDRESSED.

III.

THE DECISION OF THE COURT OF APPEALS IN THIS CASE IS NOT INCONSISTENT WITH ITS DECISION IN MACHLETT LABORATORIES, INC. v. TECHNY INSTITUTE, INC., 665 F.2d 795 (1981), AND EVEN IF IT WERE, IS NOT AN ISSUE WORTHY OF THE GRANTING OF A WRIT OF CERTIORARI PURSUANT TO SUPREME COURT RULE 17.

The Machlett Laboratories case simply involves the issuance of an injunction to prevent one party from selling mobile X-ray units. The suit was brought by a former employer who sold stationary X-ray units. The Seventh Circuit found that at least four of the elements for the grant of an injunction were not proven by plaintiff.

Plaintiff failed to prove lack of an adequate remedy at law, failed to prove irreparable injury, failed to prove that the balance of hardships were in its favor, and failed to prove that granting the injuction would not disserve the public interest.

CONCLUSION

The Petition for a Writ of Certiorari to the Seventh Circuit Court of Appeals should be denied.

Respectfully submitted,

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